

PD-ABN 027
90847

PROJECT ASSISTANCE COMPLETION REPORT

INNER KINGSTON DEVELOPMENT PROJECT

PROJECT NUMBER: 532-0120

JUNE 1996

1. PROJECT PURPOSE AND OBJECTIVE

A. GOAL: To contribute to Jamaica's needs for increased investment and employment opportunities.

B. PURPOSE: To help revitalize Inner Kingston as a center for economic activity and job creation through the promotion of private sector investment and provision of additional work space suitable for light industrial and mixed commercial use

C. OBJECTIVES

1. Phase I (1986-1991)

a. Kingston Restoration Company Ltd (KRC)

- identification, acquisition (or control), rehabilitation, construction and rental management of space for light manufacturing and mixed commercial use
- operation of a small grants program to facilitate business expansion by small entrepreneurs.
- implementation of an outreach program to involve the local community effectively in the development process
- acquisition of relevant technical assistance and training in management and program monitoring.

b. Urban Development Corporation (UDC)

- development of a new transportation terminal and an associated commercial center.
- provision of development area and supporting public infrastructure, coordinated with private parcel development in the Inner Kingston area
- acquisition of relevant technical assistance and training related to management and information systems
- organization and coordination of implementation planning for the Inner Kingston area

11 Phase II

Phase II provided funding only for KRC, although carry-over funding from Phase I continued some UDC activities.

a Kingston Restoration Company (KRC)

- Continue the turnaround in downtown investment climate
- Continue to encourage and facilitate job generation, particularly for unemployed project area residents, including targeting and coordinating PVO support to address social conditions in Inner Kingston

b Urban Development Corporation (UDC)

Continuation of Phase I activities

2. **PROJECT DESCRIPTION**

A. DESCRIPTIVE OVERVIEW

Implementation of the Inner Kingston Development Project (hereinafter referred to as the Project) began in July 1986 with two principal implementing agencies, the Kingston Restoration Company (KRC), a public-

purpose private company, and the Urban Development Corporation (UDC), the primary developmental parastatal organization of the Government of Jamaica (GOJ). In September 1991, USAID approved a second phase for the Project to consolidate and build on the achievements from Phase I. USAID provided additional funds primarily to KRC and extended the KRC component of the Project until July 1996. No funds were provided to UDC in Phase II. The extended Project became a ten year, \$29 million dollar undertaking with \$18 million provided by USAID and \$11 million of counterpart funding.

The Project encompasses an area of approximately 100 blocks that was the site of the original 18th century city of Kingston. The Project was designed to reverse the negative economic trends and disinvestment that had been occurring downtown since the mid 1970's and contribute to Jamaica's need for increased private investment and employment opportunities. The rationale in 1986 for focusing the Project on Inner Kingston was threefold: (1) it had the highest rate of unemployment in the area, (2) reversing its deterioration would help to rekindle investment expectations nation-wide, and (3) the area offered significant opportunities for cost savings in development because infrastructure systems were in place and vacant building shells could be rehabilitated and put to productive use economically.

The overall strategy of the Project was to make attractively priced industrial and commercial space available in rehabilitated buildings downtown. The rehabilitated space would generate new jobs and trigger increased private investment and a self sustaining restoration process that would revitalize the area and the real estate market. The Project was multi-faceted and comprehensive to deal with both physical and community development. Project elements included direct industrial, commercial and infrastructure development by implementing agencies to promote private sector investment, grants to small business to assist in rehabilitation of business properties and to serve as examples to promote additional investment, a downtown development plan to give a "vision" for future development and community development to help stabilize very depressed, physically deteriorated and violent residential areas surrounding the commercial area and improve the downtown's image to promote additional investment.

The roles the Project design assigned to KRC were to demonstrate that vacant and vandalized properties could be successfully and profitably rehabilitated and put to productive use and to provide financial incentives and technical assistance to private building owners and investors. Project elements were designed to maximize the involvement of the private sector and were concentrated for impact in key development areas which were intended to act as anchors for subsequent, broader scale revitalization. KRC also was to provide needed community services to the 6,000 person low income, deteriorated residential area in the eastern section of the Project Area, so that the residents also would benefit from the revitalization process.

UDC was to construct essential infrastructure improvements and transportation facilities which would complement other public improvements and provide a development framework for private investment. The two major USAID-funded UDC projects were a transportation complex for both urban and rural buses and a new trunk sewer and pumping station for Harbour Street.

A third project element was controlled by USAID and funded extensive technical assistance and research to help USAID effectively manage and monitor the Project, provide institutional development support to KRC and UDC, report on the dynamics of the downtown economy and real estate market, and assess the impacts the Project was having on the area.

B. PROJECT COMPONENT ACTIVITIES

The narrative in this section describes the original Project indicators and what was intended to be accomplished in each phase.

1. KINGSTON RESTORATION COMPANY (KRC)

PHASE I

- **Rehabilitation/Construction of Factory and Mixed commercial Space**

KRC was to develop 324,000 square feet of light manufacturing space and 71,000 square feet of mixed commercial space. This was to be accomplished through rehabilitation of

existing properties or new construction
3,500 jobs were to be created in the Project
area.

- Community Outreach

KRC was to make small subgrants to local institutions to support community development programs in the very low-income, physically-deteriorated residential communities within the project area. This component was to assist PVOs and NGOs to expand and improve their services within the target community.

- Small Grants Program

KRC was to make small grants to small entrepreneurs to assist them in the rehabilitation of their business properties. This was to encourage small business to renovate facilities and expand operations within the project area as a means of stabilizing commercial areas, expanding the employment base and serving as examples for others to invest in the project area. The objective was to have small business refurbish 100,000 square feet of business space.

- KRC Technical Assistance and Training

KRC was to contract with local and expatriate consultants to provide technical assistance in management, project planning and project implementation. Funds were also to be provided for short term training for KRC staff.

- Overall Implementation Planning And Coordination

KRC and UDC were to jointly conduct an annual planning process, which will also involve other relevant organizations involved in project area urban development.

Phase II

- Strategic Investment Program

KRC was to utilize grant funds to finance three real estate development projects and/or investment generating activities. These strategic projects were to continue KRC's role as a catalyst and to target high profile developments that would serve as an example and incentive for other private sector investment in the project area.

- Downtown Development Plan

KRC was to lead a process to initiate a Downtown Development Plan which would tie together fragmented planning activities and provide public and private sectors with a vision and physical development framework of downtown in the future.

- Community Development Program

Grant funds were to finance KRC direct provision of various social and employment services for project area residents, including (a) a health clinic which was to attain 35,000 annual visits and (b) a youth leadership/education program which was to attain 125 participants.

- Building Demolition and Open Space Program

KRC was to use grant funds and encourage voluntary agreements with property owners to demolish unsafe buildings and for the development of parks in the project area. An estimated 20 to 30 properties would be demolished. No indicator was specified for the open space program.

- Technical Assistance and Training

Local and expatriate technical assistance would continue for management, project planning and implementation.

11 URBAN DEVELOPMENT CORPORATION (UDC)

- Overall Implementation Planning and Coordination

UDC was to assume leadership in the Inner Kingston development process through formation of an Inner Kingston Advisory Committee and the convening and chairing of an annual planning process. This component was to provide the framework for managing and planning Inner Kingston revitalization.

- Transportation Terminal/Commercial Center

Project funds were to finance construction of the ground floor of a 200,000 square foot transportation terminal for rural and metropolitan Kingston buses and related facilities. UDC was to seek private capital for development of a 104,000 square foot second level commercial center to the terminal.

- Infrastructure Improvements

UDC was to undertake two types of infrastructure improvements in the project area (a) major area-wide sewerage and water systems necessary to the Inner Kingston revitalization, primarily the Harbour Street sewer and water mains, and (b) localized development area improvements. The infrastructure improvement targets were replacement of 36,400 linear feet of secondary water mains, replacement of 10,000 linear feet of sewer mains and laterals, resurfacing of roads and lanes as needed and repairs to 46,400 linear feet of curbs and sidewalks. Other infrastructure improvements included installation of traffic signals at four key intersection.

- Land Management and Information System

UDC was to establish a land management system for Inner Kingston that would coordinate (a) information on construction permits, (b) information on land ownership,

(c) information on property values, sales and rental rates and (d) information on building conditions and derelict sites

111 SUMMARY OF CONTRIBUTIONS

	<u>PLANNED</u>	<u>ACTUAL</u>
• Counterpart Funding *	\$11,119,000	\$30,161,405
• USAID		
Grant **	13,000,000	12,280,380
Loan **	5,000,000	4,586,862
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Sub-total USAID	\$18,000,000	\$16,867,242
 Total Life of Project	 \$29,119,000	 \$47,028,647

* Counterpart funding includes Government of Jamaica contributions to completion of infrastructure projects and funds raised by KRC from the private sector and other sources.

** \$719,619 in grant and \$413,138 in loan funds were deobligated from UDC component.

4 PROJECT ACCOMPLISHMENTS

The Project is a multi-faceted and complex urban economic initiative. The specified indicators were meant to be illustrative and the Project designers recognized that there would be significant alterations in program focus and implementation over time. A major example of the flexibility in Project implementation is the change in focus over time from industrial development to a strategy to promote the return of the original retail/office nature of the downtown. Thereby, where the indicator had called for development of 324,000 square feet of industrial space by the implementing agency, 166,000 square feet was actually accomplished. The commercial space development indicator had been 71,500 square feet, however, over 150,000 square feet was actually developed and the small grants program achieved 255,200 square feet of development, whereas the Project indicator was only 100,000 square feet. The indicators fail to capture many positive results of the Project, particularly changes in attitudes and perceptions about Inner Kingston. In terms of the general indications of success, the Project has substantially achieved the results intended. Some targets were not met, some targets were exceeded and some unanticipated positive benefits occurred.

Since the Project's inception in 1986, significant physical revival of downtown commercial areas has occurred. Much of this revival can be directly attributed to the Project. The Project's strategic and infrastructure investments, streetscape and sidewalk improvements, promotion of the downtown, bringing together public/private partnerships in planning and urban management and non-partisan community development has done much to improve the image and investment climate in Inner Kingston. The investment made by USAID and government has been effective, although small in comparison to public investment in inner city programs in the United States. With an average annual USAID expenditure of about \$1.6 million over a 10-year period, USAID has helped Inner Kingston weather difficult economic times and begin to prosper. There is strong evidence that the stage is set for what could become sustainable redevelopment over the next ten to fifteen years even without continued USAID support.

USAID's end of Project status expectation was summarized in the Phase II Project Paper.

At the end of Phase II (i.e. 10 years after the beginning of the Project) the major disincentives to private investment would have been eliminated or mitigated and healthy market conditions would have been re-established downtown. As a result of KRC funded efforts, many residents will have improved job skills and gained better access to various social, educational and health services.

This expectation for the conditions that would exist by 1996 is not intended to suggest that downtown would be fully redeveloped by the PACD or that all major constraints would be eliminated. Nevertheless, by the end of the Project, KRC would have established an environment which private market forces were active, the revitalization process was self sustaining and economic growth was occurring. The private sector would no longer need large infusions of KRC financial or technical assistance to encourage development. Areas of blight and abandoned properties would have been eliminated. Strategic commercial properties and job generating factory complexes would have been rehabilitated and occupied. An agenda for growth and development would have been defined in a plan for downtown.

By any reasonable measure, this expectation has been largely attained.

Major Project accomplishments include:

A. Kingston Restoration Company (KRC)

- EMPLOYMENT

Over 4,614 jobs in the target area were created in the first eight years of the Project, with an estimated 44% of those jobs employing very low income, disadvantaged area residents. Job creation continues by both the private and public sectors unassisted by the USAID project. The project indicator was 3,500 jobs to be created. Job creation in the Project area was at a rate three (3) times higher than the national average over the first eight years of the Project.

- REHABILITATION/CONSTRUCTION OF FACTORY AND MIXED COMMERCIAL SPACE AND STRATEGIC INVESTMENTS

Three significant light manufacturing complexes, consisting of 166,000 square feet of space, were rehabilitated by KRC and rented by private sector manufacturers. The project indicator called for the development of 324,500 square feet of industrial space.

- Nine commercial buildings, consisting of over 150,000 square feet of space, were rehabilitated by KRC and rented to the private sector and

government for offices or retail. The Project indicator called for development of 71,500 square feet of commercial space. Six buildings were sold by KRC to private investors bringing new investment to the area. Three buildings are headquarters of branches of financial institutions not previously located in the downtown. One building has become the Jamaica Stock Exchange and another the headquarters of the Jamaica Bar Association. All the commercial buildings were high profile projects that anchored further development in key corridors and promoted further private sector investment.

- KRC assembled a number of land sites that were sold to one of Jamaica's largest conglomerates for its headquarters. The site assemblage would not have been accomplished without KRC intervention. This major corporation invested over \$2 million in building construction and employs over 150 persons. The development has become one of the most attractive office complexes in Jamaica and spurred other development along that corridor, including the Jamaica Stock Exchange. Another significant benefit of retaining this corporation in Inner Kingston is that the corporation, in conjunction with two other major corporations, formed a charitable foundation which is funding social programs, park development and employment generating programs in the disadvantaged downtown residential areas.

- **INFRASTRUCTURE**

KRC undertook streetscape improvements and sidewalk repairs along two major commercial and office corridors. In one corridor, property owners contributed 50% of the cost. The resulting improvements spurred property owners to rehabilitate their own buildings and subsequently these corridors have become two of the most vibrant commercial areas in Jamaica.

- **SMALL GRANTS PROGRAM**

KRC gave 57 restoration grants to small entrepreneurs to rehabilitate their business space. This resulted in 255,200 square feet of rehabilitated space for small businesses. The Project indicator was 100,000 square feet of small

business space rehabilitation assisted. The significance of the grants far exceed their number. By rehabilitating a few buildings along a corridor, this engendered confidence in other small and larger business to rehabilitate their buildings without KRC grant assistance. Many additional buildings have been, or are in process of being, rehabilitated without KRC assistance. In 1993 and 1994, 147 buildings were restored without Project financial assistance.

- DOWNTOWN DEVELOPMENT PLAN

KRC, in conjunction with consultants, conducted a downtown planning process that resulted in a 20-year conceptual plan for downtown revitalization entitled "Vision 2020". The planning process was a significant achievement in itself. Planning in Jamaica here-to-fore was not a very participatory process, with government simply enacting development plans with very limited public input. The Downtown Plan involved extensive participation, with all segments of society being given many opportunities for input and comment. The Project calls for the plan to be officially adopted as a government development order, however, this has not yet been accomplished. Although the plan does not have official status, many of the "action elements" described in the plan are in process, e.g., Downtown Kingston Management District, tax incentives, community development and Breezy Castle Park.

- BUILDING DEMOLITION AND OPEN SPACE PROGRAM

KRC entered into a partnership with the City of Kingston to demolish/secure derelict building sites. KRC and participating property owners completed 16 sites under the program. However, KRC and the private sector, outside of the USAID program, secured (1 e , cleaned and boarded-up) many other sites. Of the 33 sites targeted by a downtown organization, 30 have been secured or demolished. The process still continues outside the USAID project. The Project indicator called for 20 to 30 sites being demolished. KRC built one park (dedicated to the former USAID Mission Director), UDC restored a major park and the private sector financed and built another major

park. No specific open space indicators were in the Project. Planning continues to build several more parks in conjunction with community groups.

- COMMUNITY DEVELOPMENT

Only \$350,000 was budgeted in the Project for community development. This was insufficient to meet the far reaching needs of the community and funds had to be re-programmed to support community-based activities. The KRC community development program has had significant positive impacts in the disadvantaged, very low-income and violent residential areas surrounding the commercial core. For example, the Youth Educational Support System (YESS), a youth leadership development and education program, has achieved international acclaim for excellence, including an award from the International Downtown Association. It now has about 200 participants, the project indicator called for 125 participants. This program, begun in 1991, has assisted 14 participants to enter college, 4 in the United States, this number is significant because before the YESS program, area youth did not have hope or even aspirations to attend college.

KRC initiated a Teen Centre that, with support from local business, foundations and the American Women's Group, has turned into a multi-purpose community center with day-care center, basic school, library and soon to be initiated science center, thrift shop and computer learning center. The community center also has an active community board that sets policy and undertakes programs to benefit the center. KRC has spawned a number of community-based initiatives and has very substantial recognition in the community. 93.9% of the households surveyed in the community by Urban Institute in 1994 indicated KRC was performing a satisfactory to excellent job, with 50.2% indicating they felt KRC's performance was excellent. KRC has programs in anti-drug abuse, family planning, AIDS prevention, dispute resolution (involving community residents as mediators), environmental improvement and is beginning assistance to micro/small businesses.

The impact of KRC's community development program far exceeds the resources of the USAID grant.

KRC's non-partisan, apolitical role serves to bridge the gap between often violent political garrison communities and has had a major effect in bringing warring factions together under its programs. In recognition of KRC's community development successes, the government and other donors (e g., British, Canadian, UNDP and the Netherlands) have all been giving grants for expansion of KRC's community development program. The British are in final stages of awarding KRC a 3-year, \$2 25 million grant to extend its programs into other downtown disadvantaged communities.

- TECHNICAL ASSISTANCE

In Phase I, the Urban Institute and the Mission's PSC advisor provided extensive consultant support to the implementing agencies and that assistance was key to much of the successful implementation. In Phase II, outside TA was reduced because of budget constraints and implementation suffered. Phase II had an original budget of \$5 million, but this was cut to \$3 million when finally approved by the Mission. The Mission then utilized a PSC advisor to provide TA and this greatly assisted in Project implementation.

- COMMUNITY POLICING

Not anticipated in the original project design was a community policing program initiated as a partnership between community residents, the police and KRC. KRC serves as the community/police liaison. The community policing program has broken down much of the hostilities and barriers between the police and community residents. At one point, relations were so bad between the police and community that the community barricaded the police in the station and only reinforcements freed them. The Gold Street Police Station was purchased by KRC and rehabilitated through KRC issuance of a community bond, purchased by local business, and CIDA. KRC rents the station to the police as well as operates jointly the community policing program. The Gold Street community policing project is now being attempted in other communities islandwide.

- BUSINESS PLAN

In the last three years of the project, KRC began a business planning process. By the third year, KRC had a sophisticated business plan and had achieved an operating surplus. The business plan now underpins project planning and assists KRC to analyze programmatic choices and funding priorities.

- SUSTAINABILITY

KRC has achieved a basic level of financial sustainability that should support much of its activities after USAID assistance ends. As envisioned in the original Project design, KRC has converted many of its real estate assets into a reserve fund and, with the sale of additional assets, KRC should be in a financial position to support a modified level of effort over the long term. In addition, KRC has growing success at attracting donor support. If the anticipated British assistance program materializes, this will largely replace USAID support for community development.

B. URBAN DEVELOPMENT CORPORATION (UDC)

- TRANSPORTATION TERMINAL

UDC completed the Rural Bus Terminal, which now serves as a major hub for rural residents travelling into Kingston. The urban bus terminal was not completed as designed, but an area was paved to serve as a transportation hub.

- INFRASTRUCTURE IMPROVEMENTS

The Harbour Street sewer and water main replacement was completed. This major corridor is key to the revitalization of Inner Kingston and completion of the sewer/water lines has fostered intensive private sector investment along the corridor. Several major roads were resurfaced. Traffic signals were installed in twelve intersections. The project indicator called for traffic signals to be installed at four intersections. Improvements to the waterfront were completed.

C OTHER ACCOMPLISHMENTS

● DOWNTOWN KINGSTON MANAGEMENT DISTRICT (DKMD)

The DKMD is modelled on the U.S concept of Business Improvement Districts, private sector organizations organized to finance and implement supplemental urban services not provided by government. These services usually involve environmental improvements and services and economic development of commercial areas. Under the sponsorship of KRC in 1994 and with a small amount of USAID seed capital and technical assistance, local businesses in Inner Kingston formed the DKMD. The DKMD has 69 dues paying businesses and has been self-financing for more than one year. Their initial services include street cleansing, solid waste collection and downtown promotional events. The DKMD was selected to receive technical assistance under USAID's Sustainable Cities Program and that assistance will help in implementing a business plan and a commercially-viable solid waste collection service and to assist in formulating special legislation to provide for the creation of special taxing districts to finance the DKMD and similar entities islandwide through self-assessment of area businesses. Substantial interest in forming DKMD-type entities has been indicated by other communities.

● TAX INCENTIVES

Both KRC and UDC appealed to government to initiate tax incentives to attract additional private investment into Inner Kingston and similar urban areas. In 1995, government enacted some very significant tax incentives to be administered by UDC. It is anticipated that the tax incentives will expand already significant private investment into the more blighted areas of Inner Kingston and will greatly enhance making the revitalization process self-sustaining without further USAID assistance.

5. EVALUATIONS AND STUDIES

There were numerous technical studies completed by the Urban Institute as the principal long-term consultants to the Project. There were two mid-term evaluations, one in 1989

by Abt Associates and one in 1995 by the International City/County Management Association (ICMA) For PACR purposes, only the last Urban Institute monitoring report and the ICMA evaluation will be discussed

A Monitoring Report, Inner Kingston Development Project
Urban Institute, December 1994

Study Purpose To measure both overall area improvements and the specific accomplishments of KRC as the Project's implementing agency.

Findings

- 1 A number of KRC strategies -- including the Downtown Management District, the Downtown Development Plan and the strategy for razing derelict buildings -- were intended to create a climate that would promote private investment. These initiatives have in fact laid the ground work for substantial private investment.
2. The investment climate in Jamaica was not conducive to private investment during 1991-93 due to high interest rates on loans and a troubled business sector and KRC project implementation was subsequently curtailed. Beginning in 1993, KRC renewed its project implementation. KRC had to switch from industrial space production to commercial space because of economic conditions and reflow requirements to support KRC. The Project has demonstrated that well-chosen commercial development projects can earn market rates of return and have favorable development impacts.
3. The Small Grants Program to assist small entrepreneurs to rehabilitate their properties was extremely successful in Phase I of the Project but had to be significantly curtailed in Phase II due to budgetary constraints.
- 4 Phase II cut back drastically on U S technical assistance to KRC. In Phase I this external assistance was critical to KRC's investment success. Weaning KRC from reliance on U S technical assistance was partially successful, as KRC did develop some in-house technical capability for project development. However, experience during the Project suggests that KRC clearly

performs better when there is external participation in its project analysis and implementation follow-up

5. KRC's job creation in its own developments was to reach 2,500 jobs. By the PACD, it is expected that this job generation target will reach over 2,700. The employment growth rate in downtown Kingston greatly exceeded job growth nationally by a factor of almost 3 to 1
- 6 KRC is very well known and highly regarded in very low income, deprived residential communities served by KRC in the Project. 93.9% of households surveyed indicated KRC was doing a satisfactory to excellent job, with the largest response of 50.2% indicating KRC is doing an excellent job. A majority of survey respondents have families who have participated in one or more KRC community development projects. The very favorable community support KRC enjoys can be leveraged into community participation in a broader range of development activities. KRC has been remarkably successful at reaching its targeted community. To impact general conditions in the downtown it will be necessary to reach out to other residential communities in the greater downtown area. KRC now possesses a credibility that will allow it to take the lead in connecting different community-based organizations around common strategies of community development.
- 7 To this point, KRC's community development program has been oriented toward services and youth programs. A longer-term strategy to support skill training and micro-enterprise development is appropriate, especially in view of the current degree of reliance on unskilled vendor retailing as a source of income. AID support for small business development should be built into any Phase III program, and connected more aggressively with the big business redevelopment of the central downtown area.

B. Evaluation of The Inner Kingston Development Project,
ICMA, March 1995

Study Purpose This was a mid-term Project evaluation in Phase II but encompassed an evaluation of Phases I and II

Findings

- 1 The Inner Kingston Development Project is a multi-faceted and complex urban economic development initiative, which, by its nature, does not readily lend itself to evaluation.
2. In terms of the general indicators of success, the Project has substantially achieved the results intended. Of particular importance is the Project's role in helping to create an estimated 4,614 jobs, many of them for low income or unemployed residents of Inner Kingston. KRC itself has been able to meet or exceed many of the targets that were set for it. It produced 155 percent more space than projected under its Small Grants program and generated J\$34 million in building improvements over a four year period. While KRC did not develop as much industrial space as planned, the goals were illustrative and its accomplishments are substantial. KRC's results in terms of job generation and delivery of social services have equaled or exceeded expectations.
- 3 UDC was not able to complete all infrastructure projects that the Project planned, and the projects that were completed were finished far behind schedule and far over budget. Still, new major infrastructure elements are in place today.
- 4 KRC (and the Project) have achieved many positive outcomes not adopted specifically as goals of the Project. First, KRC has developed the reputation and expertise that has made it a leader in shaping the revitalization process downtown. Starting with neither staff nor an office in 1986, KRC has become an important coordinator and initiator of public and private sector investment, is recognized for its political neutrality; is looked to by GOJ for policy advice, and is regularly consulted on matters of policy and downtown problems by GOJ, the Office of the Prime Minister, business and investment leaders, and international donor agencies. Because of KRC's demonstrated effectiveness, GOJ has asked KRC to take responsibility for a number of difficult projects outside of Inner Kingston. Second, GOJ has given downtown renewal priority attention in large part because of KRC activities. Third, the Project has become a model program in terms of its

comprehensive approach to urban problems and its impacts. Because of KRC's effectiveness as a public-purpose private institution, it has received special attention from USAID and other international donors.

- 5 In summing up the overall success of the Project, one way to evaluate the Project in its entirety might be to ask whether USAID believes it would be cost effective to provide about \$1.6 million a year (or \$1 million annually to KRC) to achieve the wide ranging important results and impacts on downtown Kingston that have been accomplished by the Project and are noted above. By almost any perspective, the answer would have to be positive. The results from such a relatively small amount of USAID funds are impressive. USAID has obtained good value for the goods it has provided.

6. **Recommendations**
USAID

- USAID should consider providing additional program funds to support Project objectives and continue to provide technical support and advice to KRC.
- USAID should consider continuing to fund KRC community development activities.
- USAID directed technical assistance and management support from USAID have been important factors in the Project's positive results. These activities should be continued.
- Urban development projects in the United States analogous to the Inner Kingston Development Project typically require 20-25 years to complete. **USAID should keep this experience in mind in evaluating the success and impacts of the Project.**

KRC

- KRC's primary objective today should be to undertake projects or actions not based on profit or income considerations but which

help to create a positive investment climate and serve the overall interests of Inner Kingston and the Kingston community

- The KRC Business Plan should allocate adequate staff resources to generating additional revenue sources for KRC and Inner Kingston KRC should periodically update its Business Plan and use it as a tool to manage its resources.
- KRC should continue to clarify its role in an overall strategy for improving Inner Kingston KRC should devote all its energies and financial resources to Inner Kingston, unless there is a compelling and overriding reason to take on other responsibilities
- KRC should not get involved in any major development project unless most of the funds will be provided by other investors and a financial analysis demonstrates it will earn a market rate of return
- KRC should not be a long term property owner
- KRC should give its Community Development Department its own independent management and funding (under the umbrella of KRC).

UDC and GOJ

- GOJ should make every effort to relocate more offices downtown and use its need for lower priced space as a development tool.
- The tax incentives for Inner Kingston can help spur the revitalization process GOJ should promptly issue the regulations for downtown tax incentives

6 CONTINUING RESPONSIBILITIES

USAID will have no responsibilities continuing beyond the PACD except an annual review for a period of five years of KRC's audited financial statement to assure that Project reflows are applied generally to the purposes of the Project

7. SUMMARY OF LESSONS LEARNED

- Urban renewal projects are multi-faceted, complex undertakings that require long-term commitments of funding sources and implementing agencies. Even in the United States, with superior resources, a successful urban renewal program will take 20 to 30 years. The usual five to ten-year project life of USAID projects could be taken into account to ensure that any interventions are strategically central to the longer term effort.
- Urban renewal projects must simultaneously address both (a) physical revitalization of buildings and infrastructure to promote economic development and investment and (b) community development to advance the human condition and income-earning potential of low-income area residents.
- Sustainability of implementing agencies and the urban renewal program must be designed into the project, e.g., (a) through establishing long-term endowments and/or (b) investment in assets that both achieve project purposes and yield long-term cash reflows.
- Implementing agencies need to adopt a business planning process and produce annual business plans to assure implementation effectiveness and sustainability.
- PVOs and NGOs operating social and economic development programs require significant and long-term technical assistance to be effective implementing agencies.
- Government and the private sector need to create a development partnership and collaborate planning process that survive changes in government.
- Small sub-grants as partial or matching funds and below-market interest rate loans are effective incentives to promote private sector investments.
- Flexibility to change or modify project indicators needs to be in the project design of complex urban renewal projects to account for normal cyclical changes to economic conditions that effect long-term private investment and to take advantage of opportunities that could not be anticipated at the project design stage.

- Patience in expecting visible urban renewal results needs to be recognized in project design and indicators as the urban development process builds momentum slowly and over a period of years. Unrealistic implementation schedules and targets raise unnecessary frustrations.